

Overview: 2022 Fiscal Year Budget for the Department of Community Health

By: Laura Harker, Senior Policy Analyst

Gov. Brian Kemp proposed a 2022 budget of \$3.48 billion in state general funds for the Department of Community Health. General funds for the agency increased by \$430 million from the 2021 fiscal year, mostly to offset the expected loss of federal Medicaid matching funds and account for growth in Medicaid expenses.

Federal funding for the agency is \$8.7 billion in the 2022 fiscal year that begins July 1, 2021. The proposed state budget also allots a total of \$671 million from other state funds including nursing home and hospital provider fees and money from a tobacco industry legal settlement. This is a \$28 million decrease in those funds compared to the 2021 budget year. The budget includes another \$3.75 billion from the State Health Benefit Plan, which manages health insurance coverage for state employees, retirees and their dependents.

The information in this overview is derived from GBPI analysis of data from Governor's Office of Planning and Budget. (2021). *The governor's budget report amended fiscal year 2021 and fiscal year 2022*. <https://opb.georgia.gov/document/document/fy-2022-governors-budget-report/download>"

Medicaid and PeachCare Provide Health Coverage to One Out of Every Five Georgians

The majority of the agency's budget is spent on Medicaid and PeachCare, Georgia's name for the federal Children's Health Insurance Program. These two programs provide more than 2 million Georgians with the ability to see a health care provider. Medicaid pays for critical health services including about three-quarters of all nursing home care and half of all births in the state.

Amended FY 2021 Budget

The amended budget for FY 2021, which started on July 1, 2020 and ends June 30, 2021, proposes a total reduction of \$300 million in state general funds. Highlights include:

- Savings of \$345 million for Medicaid and PeachCare due to an extension of the 6.2 percentage point increase in the federal Medicaid matching rate implemented because of the COVID-19 national public health emergency.
- \$4.9 million for nursing home surveys to ensure safe conditions in long-term care facilities.
- \$1.8 million for the agency’s administrative team to begin implementation of the Patients First Act, which authorized the state to partially expand the Medicaid program with the requirement that enrollees report 80 hours of work per month and pay monthly premiums or lose their coverage.
- \$750,000 to plan and implement an All-Payer Claims Database to publicly report on health care costs and utilization of key services.

FY 2022 Budget

Ninety-two percent of the agency’s state funds and 92 percent of federal funds in the proposed 2022 department budget are allocated to Medicaid and PeachCare. The governor’s proposed 2022 budget includes adjustments for changes to federal Medicaid funding, projected changes in Medicaid enrollment and spending and new funding for graduate medical education. Compared to last year’s budget, these changes include:

- \$132 million for expected growth in the Medicaid program for people with low incomes. More people are enrolling in the Low-Income Medicaid program due to the economic impact of the pandemic on people’s employment and earnings. The Medicaid program for the elderly and people with disabilities is expected to see a lower need in the next year, with a \$72 million reduction in the program budget.
- \$68 million to implement the Patients First Act (partial Medicaid expansion up to the poverty line with work requirements and premiums): \$65.5 million in Medicaid benefits spending, \$2.6 million in administrative costs. The state will receive the regular federal Medicaid match of 66.85 percent to implement this program. \$8.2 million in additional funds allotted to the Department of Human Services for managing program eligibility.
- \$34.4 million to offset the decrease of the Federal Medical Assistance Percentage (FMAP) or the share of Medicaid and PeachCare the federal government agrees to pay each year. The rate reduced from 67.03 percent to 66.85 percent.
- \$4.9 million to conduct nursing home surveys to ensure safe conditions in long-term care facilities.

- \$2.6 million allotted to add 188 new primary care medicine residency slots.
- \$850,000 to fund prior authorization of independent laboratory services.

Patients First Act - Partial Medicaid Expansion

The Georgia Department of Community Health received approval for a Medicaid 1115 waiver on October 15, 2020. The waiver was one of two waivers authorized. This waiver would partially expand Medicaid coverage for Georgia adults making below the poverty line and who are able to document 80 hours of work per month. Although there are more than 480,000 uninsured adults with incomes below the poverty line (\$12,000 a year for an individual) and most of them are employed, the state expects only about 31,000 people to get coverage through the waiver in the first year and a total of 64,000 to gain coverage over the course of five years.

The enrollment for this waiver is set to begin July 1, 2022, and a total of \$76 million in state funds is allotted to the Department of Community Health and Department of Human Services to cover the expected 31,000 enrollees. However, Georgia could still cover about 500,000 Georgians at a net cost between \$140 and \$148 million through full Medicaid expansion.

State Health Benefit Plan and Other Department Programs

The department's budget also includes the State Health Benefit Plan, the Indigent Care Trust Fund, the Board of Dentistry, the State Board of Pharmacy, Health Care Access and Improvement, Healthcare Facility Regulation and administration.

State Health Benefit Plan

The State Health Benefit Plan offers health insurance to Georgia's active and retired state employees, teachers and other public school employees. About 665,000 Georgians receive health coverage through this plan. The program is paid for through employee and employer contributions. The 2022 budget estimates the plan will spend \$3.75 billion, the same amount allotted in the 2021 budget.

Indigent Care Trust Fund and Other Programs

The remaining six department programs after Medicaid, PeachCare and the State Health Benefit plan include the Indigent Care Trust Fund, the Board of Dentistry, the State Board of Pharmacy, Health Care Access and Improvement, Healthcare Facility Regulation and administration. These programs are set to receive a combined \$162 million in state general funds, a \$42 million increase from 2021. These new dollars will be used to provide

a state match for private hospitals to receive Disproportionate Share Hospital (DSH) funds¹, conduct a nursing home survey and pay for administrative costs associated with the Patients First Act waiver.

The 2022 budget includes \$505 million in state and federal dollars for the Indigent Care Trust Fund. The funding is used to support rural and other health care providers that serve people who do not have health insurance and are not eligible for other health coverage. Hospitals and nursing homes pay fees into the fund that are matched with federal dollars at the Medicaid matching rate.

Attached Agencies

The department budget also contains administratively attached agencies, including the Georgia Board of Health Care Workforce, Georgia Composite Medical Board and Georgia Drug and Narcotics Agency. Spending for these agencies totals \$89.8 million, an increase of \$2.8 million from 2020.

The increase in funds is related to graduate medical education programs in the Georgia Board of Health Care Workforce. The agency collects data to determine health provider workforce needs in underserved areas and provides support to medical schools and health care providers through grants and loan repayment awards. The new funding is used to offset the decline in the match in federal funds that support these programs and to add 188 new residency slots in primary care medicine. Physicians who attend medical school in Georgia and complete their residency in the state are more likely to stay and practice in Georgia. There has been a shortage of residency slots in Georgia and the state continues to make progress each year by adding additional slots.

Endnotes

¹ The Disproportionate Share Hospital (DSH) program is a federal program that works to increase health care access for the poor. Hospitals that treat a "disproportionate" number of Medicaid and other indigent patients qualify for DSH payments through the Medicaid program based on the hospitals' estimated uncompensated cost of services to the uninsured. The program requires government entities to provide matching dollars. Public hospitals can provide matching funds through their county governments but private hospitals don't have access to public funds they can provide. Therefore, the state contributes their match each year. <https://dch.georgia.gov/providers/provider-types/hospital-providers/hospital-supplemental-reimbursement/disproportionate>